State Roles in Supporting Accountable Care Organizations

Mary Takach, MPH, RN

Integrated Health Care Delivery Models and Multi-payer Delivery Systems Study Committee

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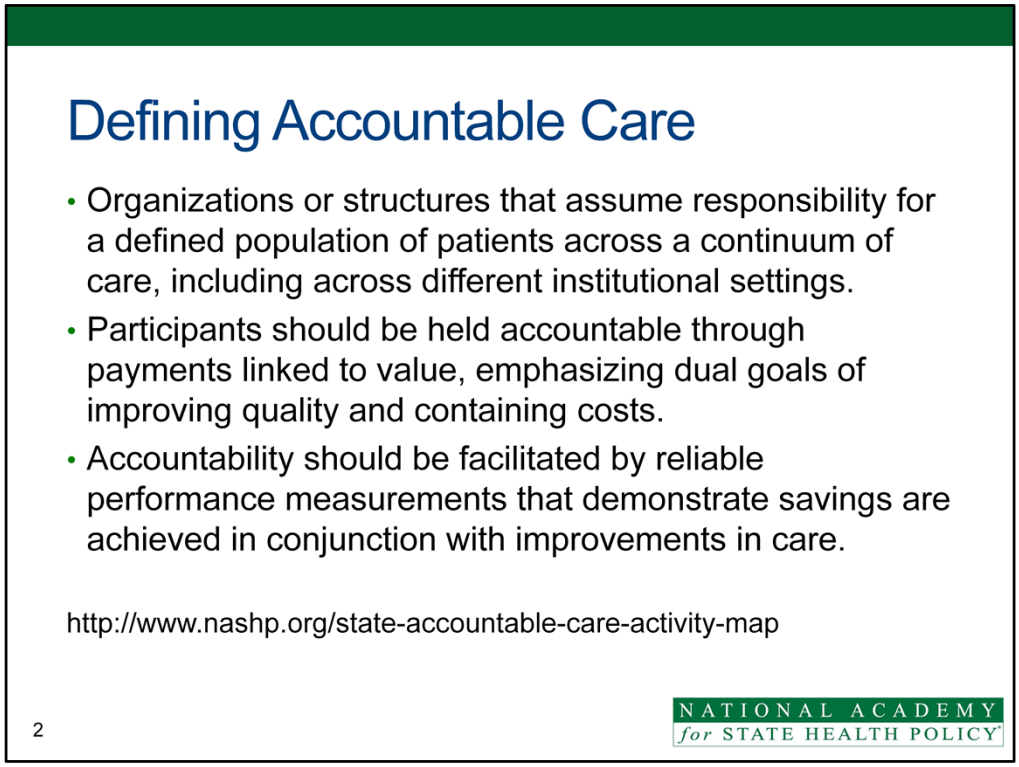
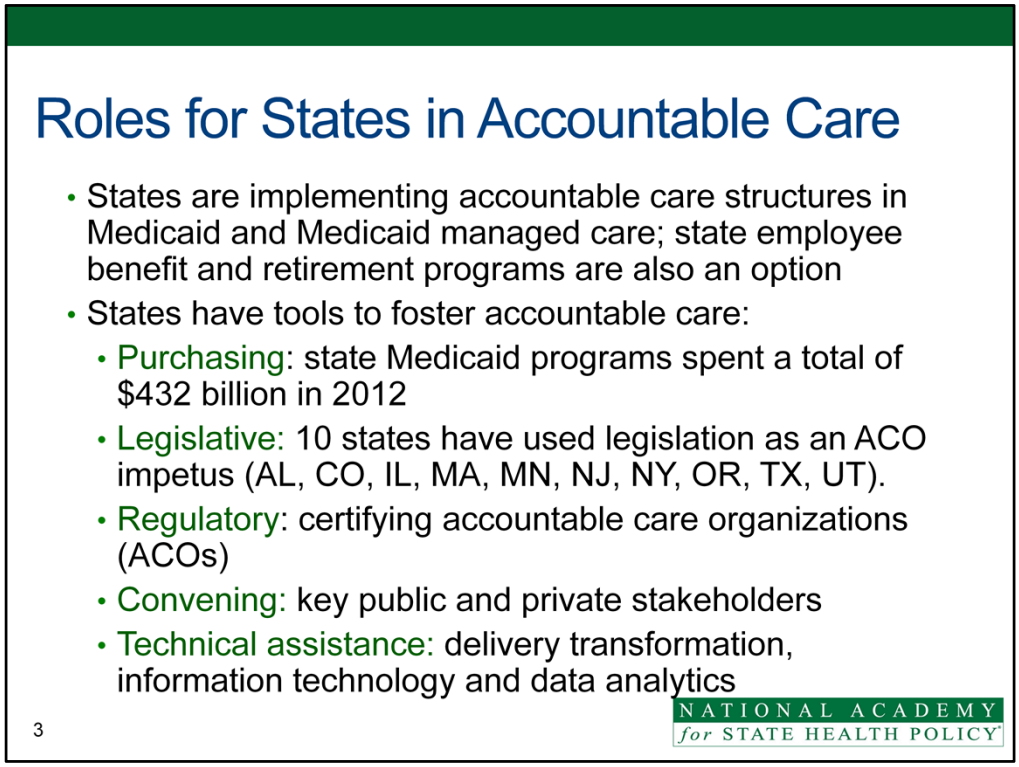
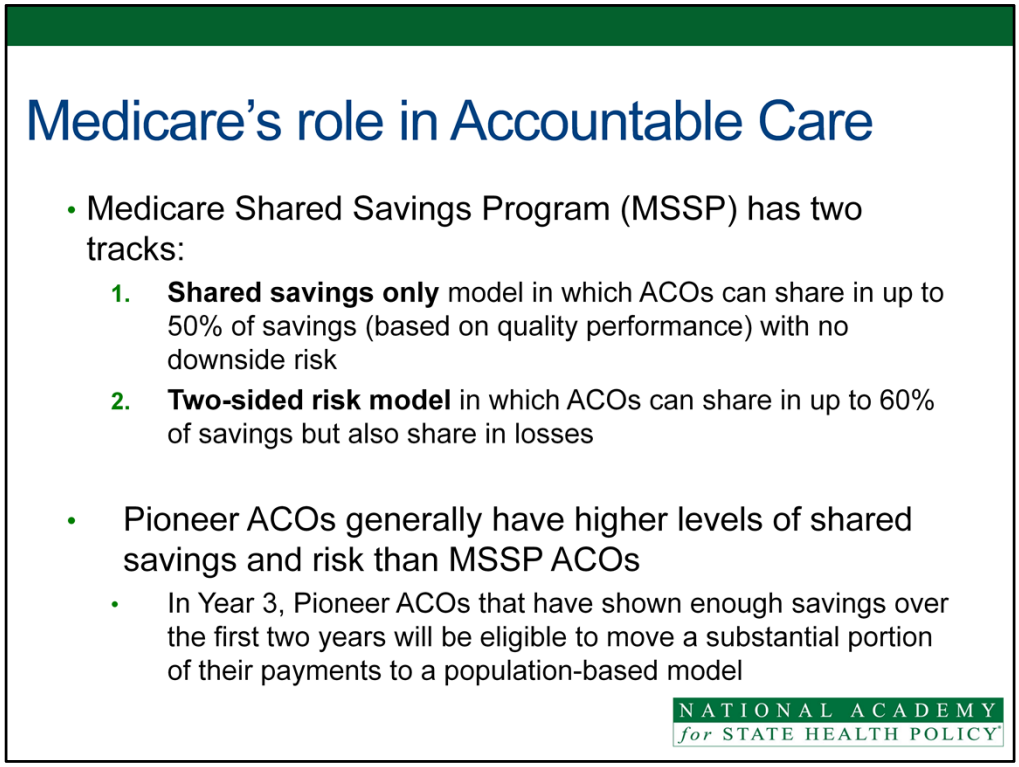


With the support of The Commonwealth Fund, NASHP is tracking state efforts to lead or participate in accountable care models that include Medicaid and Children's Health Insurance Program populations. Accountable care models aim to address lack of care coordination and wide disparities in cost and quality of care in the U.S. health care system, perpetuated by the prevailing fee-for-service payment method, through shared incentives to manage utilization, improve quality, and curb cost growth. These kinds of large-scale changes often include engaging ancillary services and public health.



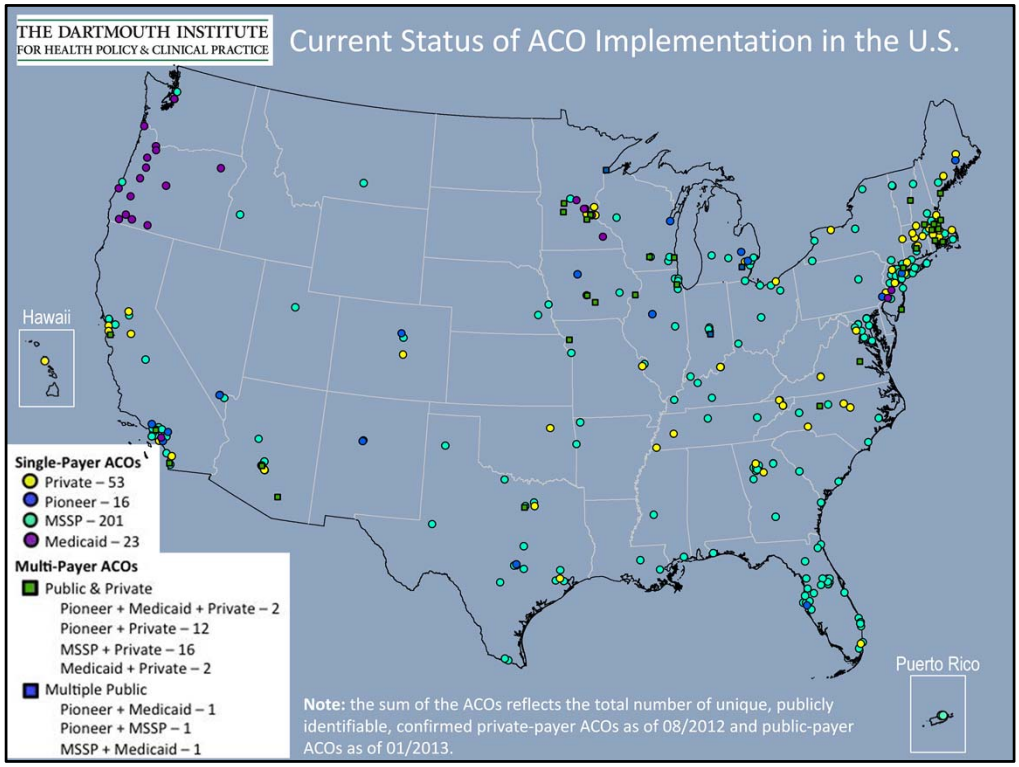
- Accountable care and value-based purchasing are ultimately aimed at supporting reorganization of the health care delivery system.
- 41,000 CalPERS members have been served by an ACO since 2010. Three-way per member per month budget between BlueShield, a hospital chain, and a provider group Shared savings and shared risk for each partner under different "cost categories" of services. Evaluations have shown $37 million in savings relative to trends

- However, states are also major players in health care market, collectively spending hundreds of billions each year on their Medicaid programs. They are also well-positioned to support new payment models and accountable care delivery through regulatory and technical support, as well as by serving as a neutral convener of key stakeholders.

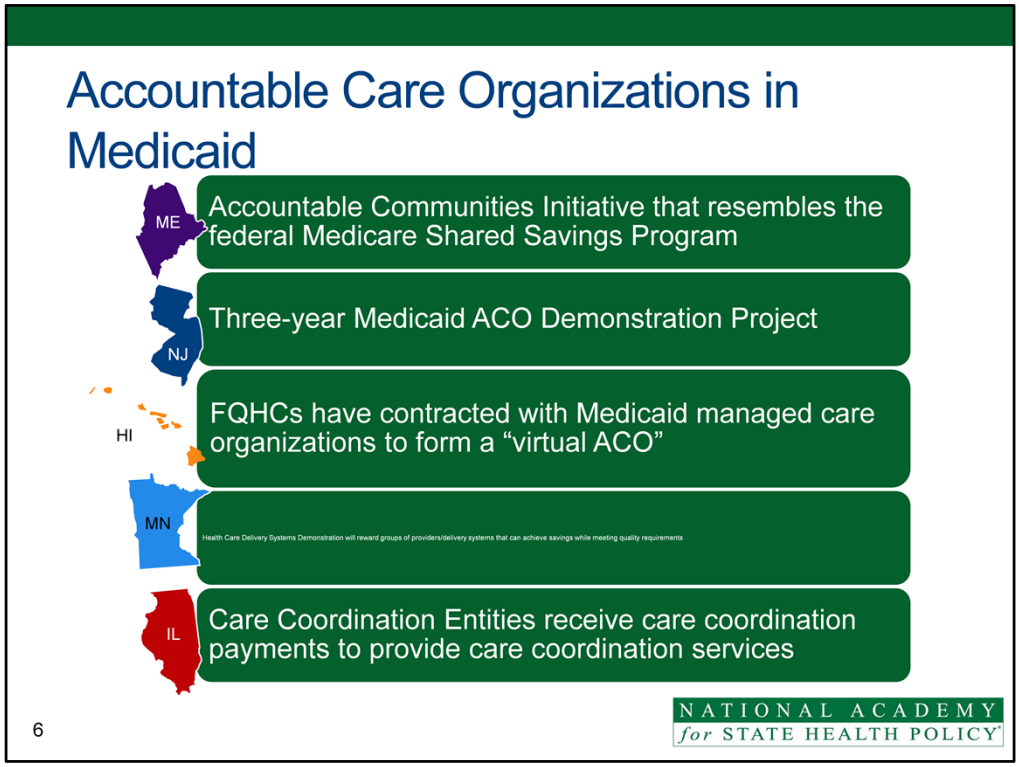


Multipayer

The payment models being tested in the first two years of the Pioneer ACO Model are a shared savings payment policy with generally higher levels of shared savings and risk for Pioneer ACOs than levels currently proposed in the Medicare Shared Savings Program. In year three of the program, participating ACOs that have shown a specified level of savings over the first two years will be eligible to move a substantial portion of their payments to a population-based model. These models of payments will also be flexible to accommodate the specific organizational and market conditions in which Pioneer ACOs work.



Accountable care organizations have been supported in recent years by the federal government (through the Medicare Shared Savings Program and the Pioneer ACOs launched by the CMS Innovation Center), as well as by private payers like BlueCross BlueShield of Massachusetts. Note multi-payer. No alignment yet—encouraged to enter into similar contracts in place



- Under the MaineCare Accountable Communities initiative, Medicaid providers will enter into alternative contracts directly with the Maine Department of Health and Human Services. These contracts will use a shared savings model, with the amount of shared savings linked to provider attainment of quality benchmarks.

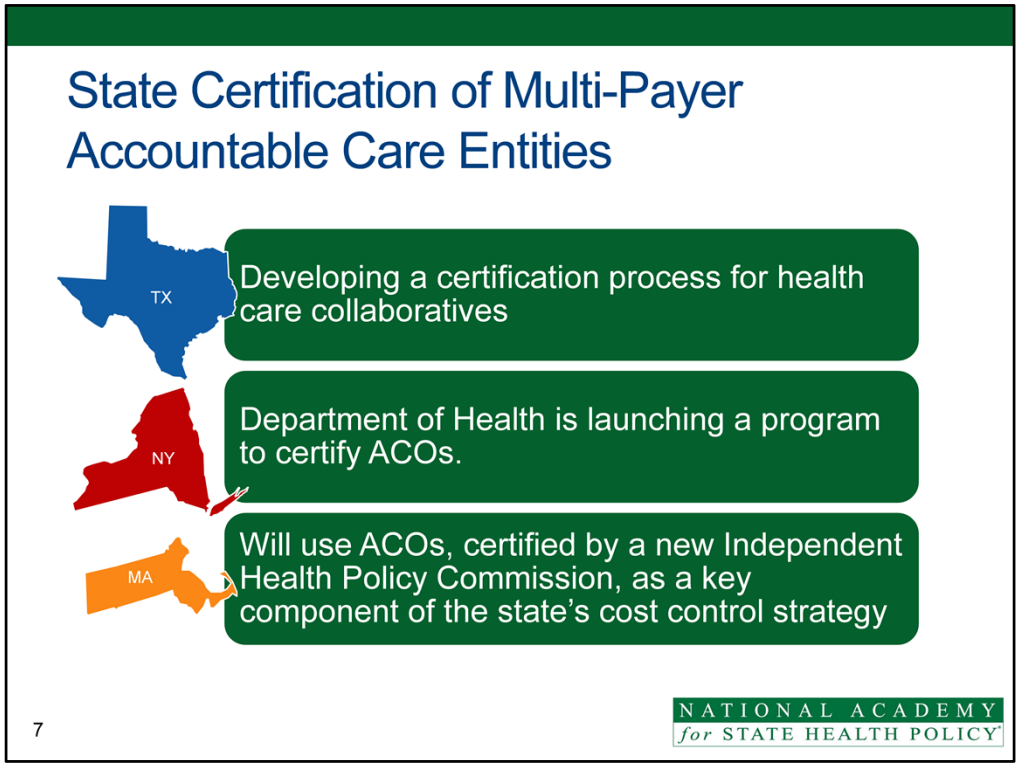
- Under New Jersey's 3-year demonstration program, accountable care organizations (ACOs) will assume responsibility for Medicaid populations within a designated area

- Some Medicaid managed care plans in Hawaii are participating in the Accountable Health Care Alliance of Rural Oahu (AHARO), a "virtual accountable care organization" formed in late 2010 between three Federally Qualified Community Health Centers. Together, these community health centers on Oahu contracted with two Medicaid managed care plans to identify quality goals and shared savings.
- Legislative: 10 states have used legislation as an ACO impetus (AL, CO, IL, MA, MN, NJ, NY, OR, TX, UT).

- Minnesota's Health Care Delivery Systems Demonstration will reward groups of

providers and integrated delivery systems that can achieve savings below a total cost of care target while meeting quality performance requirements.

- Illinois has launched Care Coordination Entities, collaborations of providers and community agencies, governed by a lead entity that receives care coordination payments in order to provide care coordination services.



- Texas is developing a certification process for health care collaboratives, new entities composed of physicians and providers that can enter into innovative payment arrangements with public and private payers to assume responsibility for a range of health care services.

- Under New York's ACO initiative, ACOs may enter into payment arrangements with one or more third-party payers to establish novel payment methodologies, including full or partial capitation. Payment arrangements must include provisions for the ACO to receive and distribute payments to participating providers, including incentive payments (which can include medical home payments). ACOs can have mechanisms in place to pool payments received by participating providers from third-party payers.

- In Massachusetts, certified accountable care organizations (ACOs) will be required to receive reimbursements or compensation from alternative payment methodologies—defined as methods of payment not solely based on fee-for-service reimbursements—and they must be capable of coordinating financial payments among their providers. These alternative payment methodologies must be consistent with the adoption of payment incentives that improve quality and care coordination. These alternative payment methodologies may include, but are not limited to, shared savings arrangements, bundled payments, and

global payments.

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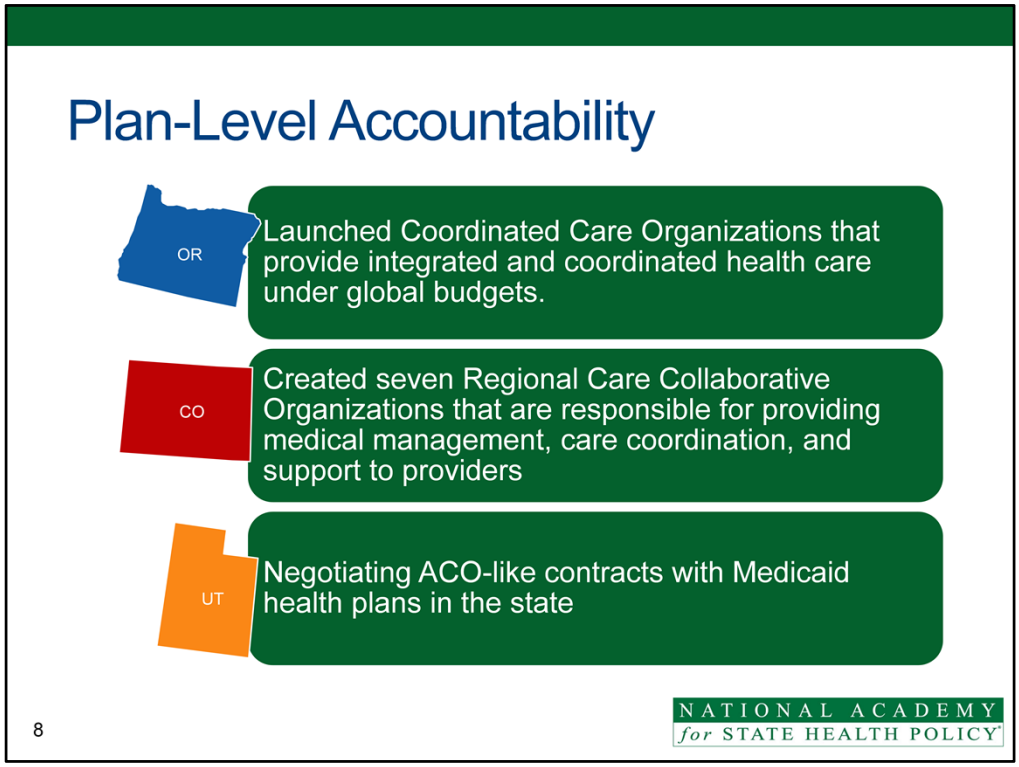

- Oregon is developing a statewide network of Coordinated Care Organizations that provide integrated and coordinated health care for Oregon Health Plan enrollees under global budgets.

- Colorado has launched seven Regional Care Collaborative Organizations that are responsible for providing medical management, care coordination, and support to providers.

- Utah is negotiating ACO-like contracts with Medicaid health plans in the state.
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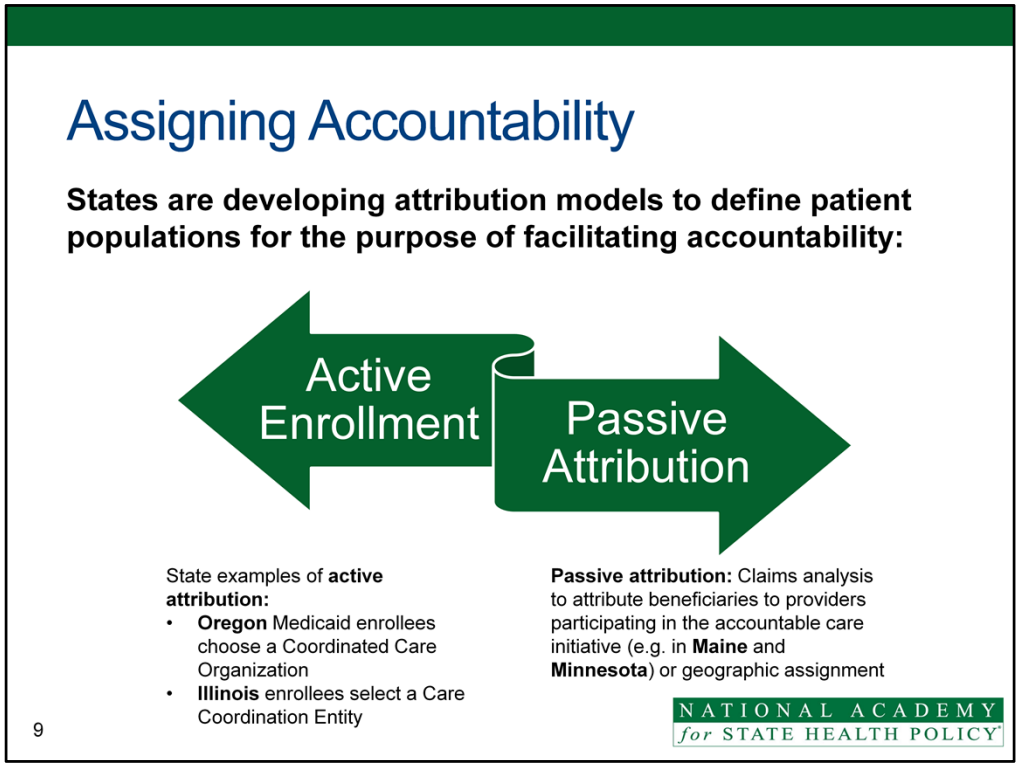
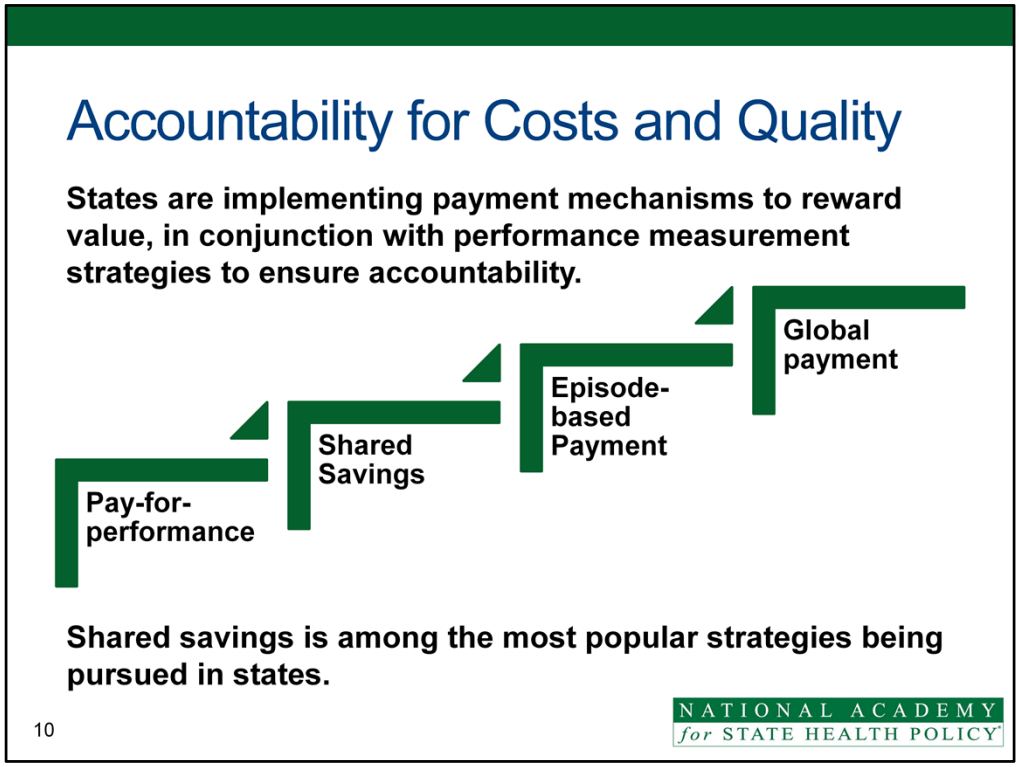


- A key feature of any accountable care approach is the strategy used to assign accountability for patients to a provider or system.
- Some states are relying on active enrollment or assignment of beneficiaries into accountable care initiatives.
- Other states are relying on attribution models. For instance, Maine is using a prospective attribution model based on historical claims analysis.



- Pay-for-performance reimbursement (e.g. per member per month fees with quality-based bonuses or withholds)
- Shared Savings, in which providers keep a portion of the savings achieved
- Episode-based Payment bundles together payments for medical services delivered during a defined episode of care
- Global Payments, fixed monthly payments

Incorporating Public Health

- State-fostered accountable care initiatives have potential to support integration of services with public health
- Regulatory Requirements
  - Maine's Accountable Communities must develop contractual or informal partnerships with public health entities
  - Oregon's Coordinated Care Organizations must partner with local public health authorities and others to develop shared community health assets
- New State Innovation Model (SIM) opportunities
  - Minnesota will use its SIM grant to expand its model to form Accountable Communities that integrate a range of services, including public health

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Key Takeaways

- ACOs need a strong primary care foundation
- Team based care models can provide needed linkages to community services
- Robust health information technology and exchange is essential
- Shared Savings is a transitional payment; payment model will need to evolve to global or full risk payments to reach goals of integrated care
- Multi-payer ACOs are nascent
- Many roles that states can play in ACO development

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Additional Resources

Why Not the Best?, a free resource produced by The Commonwealth Fund for health care professionals interested in tracking performance on various measures of health care quality: http://www.whynotthebest.org/

NASHP's **State Accountable Care Activity Map**:
http://www.nashp.org/state-accountable-care-activity-map

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